



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

May 25, 2010

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To: Supervisor Gloria Molina, Chair
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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum provides information on the Senate Democrats tax proposal to generate \$4.9 billion in additional State revenues, and an update on State Budget actions taken by the Senate Budget Subcommittee No. 3 on Health and Human Services.

Senate Democrats Tax Proposal

On May 24, 2010, Senate Democrats presented a proposal to generate approximately \$4.9 billion in additional State revenue as an alternative to some of the Governor's May Revision recommendations to achieve \$12.4 billion in State General Fund savings through program reductions and eliminations. The proposals include:

- **Suspend/Reform Corporate Tax Cuts.** Delay for two years the implementation of corporate tax cuts that are scheduled to go into effect in FY 2010-11 for an estimated \$2.05 billion in additional State revenue.
- **Extend Targeted Income Tax Provisions.** Extend for an additional two years the Personal Income Tax (PIT) adjustments enacted in 2009, which are set to expire after the 2010 tax year. The proposals include: 1) a temporary 0.25 percent PIT surcharge; and 2) a reduction of the dependent care exemption from \$309 to \$99. These adjustments are estimated to generate \$1.43 billion in additional State revenue.

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- **Vehicle License Fee.** Extend for two years the temporary increase to the Vehicle License Fee (VLF) from 0.65 percent to 1.15 percent, which is set to expire on June 30, 2011. The State General Fund is allocated 0.35 percent of the increase and 0.15 percent is directed to local law enforcement programs. In addition, the VLF would be increased by an additional 0.35 percent to a total 1.5 percent effective July 1, 2010 through June 30, 2013 for an estimated \$1.2 billion in additional State revenue.
- **Alcohol Tax.** Update alcohol tax rates to account inflation since 1991 for an estimated \$210.0 million in additional State revenue.

State Budget

On May 24, 2010, the Senate Budget Subcommittee No. 3 on Health and Human Services took the following actions on items of interest to the County:

- **Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System.** By a vote of 2 to 0, the Subcommittee approved \$45.6 million for the design, development and implementation phase of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting Replacement System.
- **Child Welfare Services.** By a vote of 2 to 0, the Subcommittee restored \$80.0 million in Child Welfare Services funding starting in FY 2010-11. In July 2009, the Governor vetoed this funding from the FY 2009-10 State Budget Act, which resulted in a County loss of \$18.9 million. This conforms to the action taken by the Assembly Budget Subcommittee No. 1 on Health and Human Services on April 28, 2010.

We will continue to keep you advised.

WTF:RA
MR:VE:sb

c: All Department Heads
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